

CITY OF COUNCIL GROVE
MORRIS COUNTY, KANSAS
INDEPENDENT AUDITORS' REPORT AND
STATUTORY BASIS FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KANSAS 66846

City of Council Grove
Morris County, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
Year Ended December 31, 2009

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Independent Auditors' Report

Mayor and City Council
City of Council Grove, Kansas

We have audited the accompanying primary government financial statements of the City of Council Grove, Kansas, as of and for the year ended December 31, 2009 as listed in the table of contents. These statutory basis financial statements are the responsibility of City of Council Grove, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2008 financial statements and, in our report dated May 20, 2009, we expressed an unqualified opinion on the respective financial statements, taken as a whole, on the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The primary government financial statements referred to above do not include the financial data of component units of the City of Council Grove, Kansas, as of December 31, 2009. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described in Note 1, the City of Council Grove, Kansas, prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of differences between these regulatory practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the omission of the discretely presented component unit as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Council Grove, Kansas, as of December 31, 2009, or the changes in its financial position, or where applicable, its cash flows for the year then ended.

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of the City of Council Grove, Kansas, as of December 31, 2009, and its cash receipts and expenditures, and budgetary results for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Aldrich & Company, LLC

Aldrich & Company LLC
Certified Public Accountants

May 25, 2010

The City of Council Grove
Morris County, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2009

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 1,108,778	\$ 1,670,695	\$ 1,467,101	\$ 1,312,372	\$ 118,218	\$ 1,430,590
Special Revenue						
Industrial Development	0	15,770	15,770	0		0
Library	0	78,860	78,860	0		0
Special Highway	85,307	57,111	24,966	117,452		117,452
Special Recreation	27,863	3,605	0	31,468		31,468
Employee Benefits	16,991	222,830	225,370	14,451	1,669	16,120
Highway Maintenance	84,107	21,525	136,733	(31,101)		(31,101)
Diversion	5,500	3,826	0	9,326		9,326
Equipment Reserve	229,580	87,500	145,690	171,390		171,390
Capital Improvement Reserve	143,538	50,478	1,205	192,811		192,811
Debt Service						
Bond and Interest Fund	9,326	22,557	27,098	4,785		4,785
Proprietary						
Water	349,638	678,152	657,568	370,222	5,211	375,433
Maintenance Reserve	123,842	5,000	0	128,842		128,842
Sewer	116,416	159,643	172,403	103,656	597	104,253
Sewer Reserve	115,347	20,000	4,000	131,347		131,347
Refuse	4,555	133,127	131,196	6,486		6,486
Internal Service						
Computer	18,464	1,799	0	20,263	0	20,263
Total Reporting Entity(Excluding Agency Funds)	\$ 2,439,252	\$ 3,232,478	\$ 3,087,960	\$ 2,583,770	\$ 125,695	\$ 2,709,465

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2009

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Total Reporting Entity(Excluding Agency Funds)	<u>\$ 2,439,252</u>	<u>\$ 3,232,478</u>	<u>\$ 3,087,960</u>	<u>\$ 2,583,770</u>	<u>\$ 125,695</u>	<u>\$ 2,709,465</u>

Composition of Cash:

Emprise Checking	\$ 336,609
Farmers & Drovers Money Market	1,200,112
Farmers & Drovers C.D.	1,254,052
Petty cash	200
Less: Agency Funds Statement 4	(81,508)
	<u>\$ 2,709,465</u>

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 2

Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2009

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General	\$ 2,220,714		\$ 2,220,714	\$ 1,467,101	\$ 753,613
Special Revenue					
Industrial Development	15,962		15,962	15,770	192
Library	79,806		79,806	78,860	946
Special Highway	154,341		154,341	24,966	129,375
Special Recreation	32,054		32,054	0	32,054
Employee Benefits	217,360	25,563	242,923	225,370	17,553
Highway Maintenance	104,399	86,050	190,449	136,733	53,716
Diversion	0		0	0	0
Debt Service					
Bond and Interest Fund	29,598		29,598	27,098	2,500
Enterprise					
Water	744,880		744,880	657,568	87,312
Sewer	196,783		196,783	172,403	24,380
Refuse	148,000		148,000	131,196	16,804
Internal Service					
Computer	24,102		24,102	0	24,102

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Morris County	\$ 553,759	\$ 543,508	\$ 549,273	\$ (5,765)
City Sales taxes	356,751	365,643	350,000	15,643
Franchise taxes	120,611	109,978	108,000	1,978
Total Taxes	<u>1,031,121</u>	<u>1,019,129</u>	<u>1,007,273</u>	<u>11,856</u>
Intergovernmental Revenues				
LAVTR	0	0	0	0
Sales tax	161,669	161,348	150,000	11,348
Liquor tax	3,557	3,605	3,858	(253)
Total Intergovernmental	<u>165,226</u>	<u>164,953</u>	<u>153,858</u>	<u>11,095</u>
Miscellaneous				
Licenses and permits	47,575	43,122	50,000	(6,878)
Fines & forfeitures	41,102	37,840	36,500	1,340
Lake budget and transfer fees	10,500	9,500	15,000	(5,500)
Reimbursed expenses	122,898	97,254	15,500	81,754
Recreation fees, donations, and concessions	37,583	31,395	36,500	(5,105)
Sale of property	86,879	0	0	0
Miscellaneous	935	0	0	0
Total Miscellaneous	<u>347,472</u>	<u>219,111</u>	<u>153,500</u>	<u>65,611</u>
Use of Money and Property				
Interest	103,447	38,197	30,000	8,197
Hay crop	6,800	5,750	5,000	750
Fees for services	7,236	9,080	6,000	3,080
Rural fire contract	24,000	24,000	24,000	0
Cabin leases & fees	183,506	190,475	180,500	9,975
Total Use of Money and Property	<u>324,989</u>	<u>267,502</u>	<u>245,500</u>	<u>22,002</u>
Total Cash Receipts	<u>\$ 1,868,808</u>	<u>\$ 1,670,695</u>	<u>\$ 1,560,131</u>	<u>\$ 110,564</u>

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
General Administration				
Personal services	\$ 126,267	\$ 123,252	\$ 135,500	\$ 12,248
Contractual	52,005	57,501	63,558	6,057
Commodities	12,871	9,785	12,550	2,765
Capital outlay	2,500	0	10,700	10,700
Total General Administration	<u>193,643</u>	<u>190,538</u>	<u>222,308</u>	<u>31,770</u>
Police Department				
Personal services	243,140	226,897	253,700	26,803
Contractual	34,107	51,432	48,900	(2,532)
Commodities	31,627	29,603	38,550	8,947
Capital outlay	0	0	8,000	8,000
Total Police Department	<u>308,874</u>	<u>307,932</u>	<u>349,150</u>	<u>41,218</u>
Street Department				
Personal services	118,842	124,022	136,000	11,978
Contractual	37,021	26,041	39,350	13,309
Commodities	54,999	28,750	71,800	43,050
Capital outlay	0	0	78,000	78,000
Total Street Department	<u>210,862</u>	<u>178,813</u>	<u>325,150</u>	<u>146,337</u>
Swimming Pool				
Personal services	11,140	7,328	9,600	2,272
Contractual	25,735	9,615	33,500	23,885
Commodities	5,312	4,292	5,400	1,108
Capital outlay	0	0	2,000	2,000
Total Swimming Pool	<u>42,187</u>	<u>21,235</u>	<u>50,500</u>	<u>29,265</u>
City Lake				
Personal services	60,375	63,734	59,500	(4,234)
Contractual	86,949	33,320	24,100	(9,220)
Commodities	33,102	7,852	26,900	19,048
Capital outlay	0	11,787	17,000	5,213
Total City Lake	<u>\$ 180,426</u>	<u>\$ 116,693</u>	<u>\$ 127,500</u>	<u>\$ 10,807</u>

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
City Parks				
Personal services	\$ 37,899	\$ 40,169	\$ 48,000	\$ 7,831
Contractual	12,190	12,590	23,300	10,710
Commodities	4,137	2,331	7,700	5,369
Capital outlay	0	0	7,500	7,500
Total City Parks	54,226	55,090	86,500	31,410
Cemetery Care				
Personal services	29,361	33,379	31,000	(2,379)
Contractual	6,490	5,049	5,500	451
Commodities	1,301	1,781	2,000	219
Capital outlay	0	0	1,500	1,500
Total Cemetery Care	37,152	40,209	40,000	(209)
City Fire				
Personal services	13,335	11,489	16,500	5,011
Contractual	9,120	11,075	12,500	1,425
Commodities	3,214	1,671	8,600	6,929
Capital outlay	0	0	14,500	14,500
Total City Fire	25,669	24,235	52,100	27,865
Rural Fire				
Personal services	5,120	5,927	9,000	3,073
Contractual	8,105	10,942	9,800	(1,142)
Commodities	3,593	1,603	5,000	3,397
Capital outlay	0	0	13,000	13,000
Total Rural Fire	16,818	18,472	36,800	18,328
Municipal Court				
Personal services	13,531	13,727	17,400	3,673
Contractual	12,378	7,117	12,500	5,383
Commodities	101	331	250	(81)
Capital outlay	0	0	1,000	1,000
Total Municipal Court	\$ 26,010	\$ 21,175	\$ 31,150	\$ 9,975

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Recreation				
Personal services	\$ 55,503	\$ 51,148	\$ 57,600	\$ 6,452
Contractual	22,821	21,785	29,050	7,265
Commodities	33,473	26,399	49,000	22,601
Capital outlay	31,838	19,652	33,158	13,506
Total Recreation Department	<u>143,635</u>	<u>118,984</u>	<u>168,808</u>	<u>49,824</u>
Street Lighting	39,528	44,803	40,000	(4,803)
Infrastructure - sales tax disbursed	314,178	114,112	332,862	218,750
Infrastructure - Washington Street payment	0	53,503	60,000	6,497
Promotions	94,261	82,307	230,886	148,579
Transfers to other funds	<u>74,000</u>	<u>79,000</u>	<u>67,000</u>	<u>(12,000)</u>
Total Expenditures	<u>1,761,469</u>	<u>1,467,101</u>	<u>2,220,714</u>	<u>753,613</u>
Receipts Over (Under) Expenditures	107,339	203,594	<u>\$ (660,583)</u>	<u>\$ 864,177</u>
Unencumbered Cash, January 1	<u>1,001,439</u>	<u>1,108,778</u>		
Unencumbered Cash, December 31	<u>\$ 1,108,778</u>	<u>\$ 1,312,372</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-2

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

INDUSTRIAL DEVELOPMENT

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 15,512	\$ 15,770	\$ 15,962	(192)
Expenditures				
Industrial Development	<u>15,512</u>	<u>15,770</u>	<u>15,962</u>	<u>192</u>
Receipts Over (Under) Expenditures	0	0	<u>\$ 0</u>	<u>\$ 0</u>
Unencumbered Cash, January 1	<u>0</u>	<u>0</u>		
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 0</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-3

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

LIBRARY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 77,542	\$ 78,860	\$ 79,806	\$ (946)
Expenditures				
Library appropriation	<u>77,542</u>	<u>78,860</u>	<u>79,806</u>	<u>946</u>
Receipts Over (Under) Expenditures	0	0	<u>\$ 0</u>	<u>\$ 0</u>
Unencumbered Cash, January 1	<u>0</u>	<u>0</u>		
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 0</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-4

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

SPECIAL HIGHWAY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas	\$ 65,186	\$ 57,111	\$ 67,770	\$ (10,659)
Expenditures				
Street repairs and improvements	<u>0</u>	<u>24,966</u>	<u>154,341</u>	<u>129,375</u>
Receipts Over (Under) Expenditures	65,186	32,145	<u>\$ (86,571)</u>	<u>\$ 118,716</u>
Unencumbered Cash, January 1	<u>20,121</u>	<u>85,307</u>		
Unencumbered Cash, December 31	<u>\$ 85,307</u>	<u>\$ 117,452</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-5

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

SPECIAL RECREATION

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Liquor tax	\$ 3,556	\$ 3,605	\$ 3,858	\$ (253)
Other	0	0	0	0
Total Cash Receipts	3,556	3,605	3,858	(253)
Expenditures				
Contractual	0	0	32,054	32,054
Commodities	0	0	0	0
Capital Outlay	0	0	0	0
Adjustment for qualifying budget credits	0	0	0	0
Total Expenditures	0	0	32,054	32,054
Receipts Over (Under) Expenditures	3,556	3,605	<u>\$ (28,196)</u>	<u>\$ 31,801</u>
Unencumbered Cash, January 1	<u>24,307</u>	<u>27,863</u>		
Unencumbered Cash, December 31	<u>\$ 27,863</u>	<u>\$ 31,468</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-6

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

EMPLOYEE BENEFITS

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 173,305	\$ 197,267	\$ 200,375	\$ (3,108)
Reimbursed expense	19,155	25,563	0	25,563
Total Cash Receipts	192,460	222,830	200,375	22,455
Expenditures				
Social Security	53,336	51,966	55,000	3,034
Health & dental	98,836	115,723	97,560	(18,163)
Unemployment	864	859	1,000	141
KPERS	32,705	31,979	39,000	7,021
Workers compensation	38,756	22,925	23,600	675
Firemen's relief	1,305	1,918	1,200	(718)
Adjustment for budget credit	0	0	25,563	25,563
Total Expenditures	225,802	225,370	242,923	17,553
Receipts Over (Under) Expenditures	(33,342)	(2,540)	<u>\$ (42,548)</u>	<u>\$ 40,008</u>
Unencumbered Cash, January 1	50,333	16,991		
Unencumbered Cash, December 31	<u>\$ 16,991</u>	<u>\$ 14,451</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-7

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

HIGHWAY MAINTENANCE

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas	\$ 21,144	\$ 21,525	\$ 20,718	\$ 807
Expenditures				
Street improvements	0	136,733	104,399	(32,334)
Adjustments for qualifying budget credits	0	0	86,050	86,050
Total expenditures	0	136,733	190,449	53,716
Receipts Over (Under) Expenditures	21,144	(115,208)	<u>\$ (169,731)</u>	<u>\$ 54,523</u>
Unencumbered Cash, January 1	62,963	84,107		
Unencumbered Cash, December 31	<u>\$ 84,107</u>	<u>\$ (31,101)</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-7

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

DIVERSION

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Diversion fees	<u>\$ 5,500</u>	<u>\$ 3,826</u>	<u>\$ 0</u>	<u>\$ 3,826</u>
Expenditures				
Commodities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	5,500	3,826	<u>\$ 0</u>	<u>\$ 3,826</u>
Unencumbered Cash, January 1	<u>0</u>	<u>5,500</u>		
Unencumbered Cash, December 31	<u>\$ 5,500</u>	<u>\$ 9,326</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-8

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 97,500	\$ 87,500
Sale of equipment	0	0
Grants	<u>72,922</u>	<u>0</u>
Total Receipts	170,422	87,500
Expenditures		
Equipment	<u>37,026</u>	<u>145,690</u>
Receipts Over (Under) Expenditures	133,396	(58,190)
Unencumbered Cash, January 1	<u>96,184</u>	<u>229,580</u>
Unencumbered Cash, December 31	<u>\$ 229,580</u>	<u>\$ 171,390</u>

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-9

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

CAPITAL IMPROVEMENT RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental	\$ 0	\$ 0
Special assessments	305	423
Bowers Center	28,616	0
Reimbursed expenses	7,426	2,250
Loan proceeds	608,101	27,805
Transfers in	30,000	20,000
Total Receipts	674,448	50,478
Expenditures		
Capital Improvements	669,478	1,205
Receipts Over (Under) Expenditures	4,970	49,273
Unencumbered Cash, January 1	138,568	143,538
Unencumbered Cash, December 31	\$ 143,538	\$ 192,811

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-10

DEBT SERVICE
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

BOND & INTEREST

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Morris County	\$ 26,105	\$ 22,557	\$ 22,301	\$ 256
Expenditures				
Principal	15,000	20,000	20,000	0
Interest	7,772	7,098	7,098	0
Cash basis reserve	<u>0</u>	<u>0</u>	<u>2,500</u>	<u>2,500</u>
Total Expenditures	<u>22,772</u>	<u>27,098</u>	<u>29,598</u>	<u>2,500</u>
Receipts Over (Under) Expenditures	3,333	(4,541)	<u><u>\$ (7,297)</u></u>	<u><u>\$ 2,756</u></u>
Unencumbered Cash, January 1	<u>5,993</u>	<u>9,326</u>		
Unencumbered Cash, December 31	<u><u>\$ 9,326</u></u>	<u><u>\$ 4,785</u></u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-11

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual And Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

WATER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 633,555	\$ 649,097	\$ 701,000	\$ (51,903)
Connection/treatment fees	6,531	3,257	2,000	1,257
Penalties	6,317	6,532	4,000	2,532
Security deposits	6,795	6,540	8,000	(1,460)
Reimbursed expenses	14,888	12,090	5,000	7,090
Other	3,091	636	0	636
Total Cash Receipts	671,177	678,152	720,000	(41,848)
Expenditures				
Production				
Personal services	112,810	113,648	111,500	(2,148)
Contractual services	61,722	69,293	76,600	7,307
Commodities	39,075	44,673	46,700	2,027
Capital outlay	0	0	12,000	12,000
Total Production	213,607	227,614	246,800	19,186
Distribution				
Personal services	104,560	122,217	120,000	(2,217)
Contractual services	8,363	11,587	20,550	8,963
Commodities	26,455	43,846	40,000	(3,846)
Capital outlay	13,832	16,081	18,000	1,919
Total Distribution	153,210	193,731	198,550	4,819

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-11

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

WATER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
General and administrative				
Personal services	\$ 31,173	\$ 31,131	\$ 33,500	\$ 2,369
Contractual services	10,567	11,214	20,900	9,686
Commodities	3,425	1,058	3,100	2,042
Capital outlay	0	0	8,500	8,500
Other	11,328	12,290	13,000	710
Total General and administrative	56,493	55,693	79,000	23,307
Principal	81,480	84,560	84,560	0
Interest	75,550	72,470	72,470	0
Transfers out	53,500	23,500	63,500	40,000
Total Expenditures	633,840	657,568	744,880	87,312
Receipts Over (Under) Expenditures	37,337	20,584	\$ (24,880)	\$ 45,464
Unencumbered Cash, January 1	312,301	349,638		
Unencumbered Cash, December 31	\$ 349,638	\$ 370,222		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-12

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

WATER MAINTENANCE RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Water plant loan proceeds	\$ 0	\$ 0
Transfer from water	10,000	5,000
Total Cash Receipts	10,000	5,000
Expenditures		
Water system maintenance	0	0
Water plant upgrade principal	0	0
Water plant upgrade interest	0	0
Water plant improvements	0	0
Total Expenditures	0	0
Receipts Over (Under) Expenditures	10,000	5,000
Unencumbered Cash, January 1	113,842	123,842
Unencumbered Cash, December 31	<u>\$ 123,842</u>	<u>\$ 128,842</u>

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-13

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual And Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

SEWER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 163,815	\$ 158,362	\$ 164,500	\$ (6,138)
Special assessments	4,457	1,281	3,000	(1,719)
Other	<u>0</u>	<u>0</u>	<u>300</u>	<u>(300)</u>
Total Cash Receipts	<u>168,272</u>	<u>159,643</u>	<u>167,800</u>	<u>(8,157)</u>
Expenditures				
Personal services	49,325	47,843	51,850	4,007
Contractual services	14,114	18,011	31,950	13,939
Commodities	12,279	15,593	16,800	1,207
Capital outlay	0	0	5,000	5,000
Principal	43,808	45,113	45,342	229
Interest	17,375	15,843	15,841	(2)
Transfers out	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Total Expenditures	<u>166,901</u>	<u>172,403</u>	<u>196,783</u>	<u>24,380</u>
Receipts Over (Under) Expenditures	1,371	(12,760)	<u>\$ (28,983)</u>	<u>\$ 16,223</u>
Unencumbered Cash, January 1	<u>115,045</u>	<u>116,416</u>		
Unencumbered Cash, December 31	<u>\$ 116,416</u>	<u>\$ 103,656</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-14

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

SEWER RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfer from sewer	\$ 20,000	\$ 20,000
Expenditures		
Sewer system maintenance	38,815	4,000
Receipts Over (Under) Expenditures	(18,815)	16,000
Unencumbered Cash, January 1	134,162	115,347
Unencumbered Cash, December 31	\$ 115,347	\$ 131,347

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-15

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual And Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

REFUSE UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 129,527	\$ 133,127	\$ 145,000	\$ (11,873)
Transfers in	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>(5,000)</u>
Total Cash Receipts	129,527	133,127	150,000	(16,873)
Expenditures				
Contractual services	128,142	129,397	148,000	18,603
Computer service	<u>0</u>	<u>1,799</u>	<u>0</u>	<u>(1,799)</u>
Total Expenditures	<u>128,142</u>	<u>131,196</u>	<u>148,000</u>	<u>16,804</u>
Receipts Over (Under) Expenditures	1,385	1,931	<u>\$ 2,000</u>	<u>\$ (69)</u>
Unencumbered Cash, January 1	<u>3,170</u>	<u>4,555</u>		
Unencumbered Cash, December 31	<u>\$ 4,555</u>	<u>\$ 6,486</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 3-16

INTERNAL SERVICE FUND
Statement of Cash Receipts and Expenditures - Actual And Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

COMPUTER FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 0	\$ 1,799	\$ 2,819	\$ (1,020)
Expenditures				
Contractual services	<u>0</u>	<u>0</u>	<u>24,102</u>	<u>24,102</u>
Receipts Over (Under) Expenditures	0	1,799	<u>\$ (21,283)</u>	<u>\$ 23,082</u>
Unencumbered Cash, January 1	<u>18,464</u>	<u>18,464</u>		
Unencumbered Cash, December 31	<u>\$ 18,464</u>	<u>\$ 20,263</u>		

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Statement 4

AGENCY FUNDS
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009

	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Expenditures</u>	<u>Ending Cash Balance</u>
Cemetery Endowment	\$ 78,020	\$ 1,575	\$ 0	\$ 79,595
Performance Bond	<u>1,913</u>	<u>0</u>	<u>0</u>	<u>1,913</u>
Total	<u>\$ 79,933</u>	<u>\$ 1,575</u>	<u>\$ 0</u>	<u>\$ 81,508</u>

The accompanying notes are an integral part of this statement.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Council Grove is a governmental entity and operates under a Mayor-Council form of Government. The City provides the following services: public safety (police and fire), streets, sanitation, water, recreation, public improvements, planning and zoning and general administrative services. The City operates two major enterprise activities; water and sewer. In addition, the city also contracts for solid waste collection.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic--but not the only--criterion for including a potential component unit within the reporting entity is financial accountability. The most significant manifestation of the criterion is financial dependence. Other manifestations of the criteria include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Under this criterion, the Council Grove Public Library was identified as a component unit. The city council appoints all members of the library board. Because it is not a separate taxing entity under applicable state statutes, the City levies taxes for their operations. These financial statements do not include the operations of the Council Grove Public Library.

The following organization is not included because it is an autonomous entity. The Firemen's Relief Association provides insurance and other benefits to firemen. Kansas statutes provide for funding through assessing a charge on fire insurance premiums paid.

Fund Accounting

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City for the calendar year 2009.

Governmental Funds:

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund -- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds -- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Proprietary Funds (Cont):

Internal Service Fund – The Internal Service Fund is used to account for services provided by one department to other departments of the City on a cost-plus basis.

Fiduciary Fund Types

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other funds, and/or other governmental units. These include Expendable Trust Funds, Non-expendable Trust Funds, and Agency Funds. Agency funds are custodial in nature (assets equal liabilities).

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund that the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods sold and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTE 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 2 - BUDGETARY INFORMATION (CONT)

budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. The refuse, water, and employee benefit funds were amended in 2009 increasing expenditure authority from \$99,919, \$693,430, and \$211,200 to \$148,000, \$744,880, and \$217,360 respectively.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following special revenue & utility reserve funds: Equipment Reserve, Capital Improvement Reserve, Water Maintenance Reserve and Sewer Reserve.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 3 - CASH AND DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under 9-1402 and 9-1405.

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2009.

The City maintains a cash pool that is available for use by all funds. At year-end, the carrying amount of the city's deposits, including certificates of deposit, was \$2,790,973. The bank balance was \$2,844,502. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 3 - CASH AND DEPOSITS (CONT)

was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by FDIC insurance and \$2,344,502 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The third party bank is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the city, the pledging bank, and the independent third party bank holding the pledged securities. The city held no investments at December 31, 2009.

NOTE 4 - PROPERTY TAXES

The City certifies its' budget to the county clerk annually. Using this certified budget and those of other political subdivisions within the county, the county clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20 of the same year. The second installment is due May 10 of the subsequent year. The county collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operations.

NOTE 5 - COMPENSATED ABSENCES

The City's policies regarding vacation and sick leave permit employees to accumulate a maximum of 6.16 hours of vacation pay and 3.69 hours of sick pay per pay period. No more than five days of vacation pay may be carried forward to the next anniversary year. Sick pay compensation at retirement is restricted to a maximum of thirty days and only if the employee worked at least ten years and is at least 55 years old. All accumulated vacation pay is payable upon employment termination. A maximum of seventy-five days of sick pay may be accumulated. Unused sick pay is forfeited upon employment termination other than retirement. Compensated absence payments are made from the fund that corresponds to the employees duties.

NOTE 6 - COMPARATIVE DATA

The amounts shown for 2008 in the financial statements are included, where practicable, only to provide a basis for comparison with 2009, and are not intended to present all information necessary for a fair presentation in accordance with the cash basis and budget laws of Kansas. Interfund eliminations have not been made in the aggregation of this data.

NOTE 7 - LONG-TERM DEBT

General Obligation Bonds

General obligation bonds, payable from future property tax revenues and special assessments, are serial bonds to be retired through calendar year 2015. At December 31, 2009, the bonds consisted of the following:

Series 2001, Fire Station, due in annual installments ranging from \$10,000 to \$25,000, issued February 1, 2001, carrying interest from 3.9% to 4.9%. Payments are made from the bond and interest fund.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 - LONG-TERM DEBT (CONT)

KDOT loan

The City entered into a loan agreement with the Kansas Department of Transportation as of May 12, 2008 for a curb and gutter project on Washington Street. The loan is for \$703,261 and carries an interest rate of 3.99%. The city has dedicated sales tax proceeds from the general fund to finance the project, or in absence of sales tax revenues, they agree to levy tax sufficient for repayment. Interest payments are scheduled semi-annually, and principal payments are scheduled annually. Both interest and principal payments began on August, 1, 2009.

KDHE loans

The City maintains a loan payable, secured by revenues derived from the operation of the sewer utility system payable to the Kansas Department of Health and Environment. Semi-annual payments of \$30,478 are scheduled. The loan carries an interest rate of 3.47%. Payments are made from the sewer fund.

The City also carries a loan payable to the Kansas Department of Health and Environment for its water system improvements. These improvements were completed in 2006. Semi-annual payments of \$92,809.11 began in February 2006. In December 2007, the final loan agreement was received and carries semi-annual payments of \$78,515 for the remaining thirty-six payments. The loan carries an interest rate of 3.73% and payments are made from the water fund.

Lease Agreement

The City entered into a lease agreement for the purchase of a John Deere backhoe. Sixty payments of \$1,186.19 are scheduled with a final payment of \$100. The first payment was made in August 2004. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments were made from the equipment reserve fund. The final lease payment was made as scheduled in 2009.

The city entered into a lease agreement for the purchase of a fire/ladder truck on August 7, 2006. Sixty payments of \$1,128 are scheduled with a final payment of \$100. The first payment was made in September 2006. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments were made from the equipment reserve fund.

The city entered into a lease agreement for the purchase of fire equipment on June 25, 2007. Sixty payments of \$558 are scheduled with a final payment of \$100. The first payment was made in August 2007. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments were made from the equipment reserve fund.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

Changes in long term liabilities for the year ended December 31, 2009 were as follows:

	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Payable January 1	Additions	Reductions/ Payments	Net Change	Balance Payable December 31	Interest Paid
General Obligation Bonds:										
Series 2001 Fire Station	3.9%-4.9%	2/1/2001	\$ 260,000	9/1/2015	\$ 150,000	\$ 0	\$ 20,000		\$ 130,000	\$ 7,098
KDOT loan										
Washington Street Proj TR 0075	3.99%	5/12/2008	\$ 703,300	8/1/2027	608,101	95,160	40,871		662,390	12,632
KDHE loans										
KDHE Water Pollution Control										
Revolving Fund Revenues	3.47%	11/25/1996	878,230	9/1/2017	467,757	0	45,113		422,644	15,843
KDHE Water Loan	3.73%	2/2/2004	2,258,481	8/1/2025	1,963,847	0	84,560		1,879,287	72,470
Capital Leases:										
John Deere Backhoe	4.30%	7/1/2004	64,016	8/1/2009	8,017	0	8,017		0	386
Fire equipment	5.25%	6/25/2007	29,433	8/4/2012	21,914	0	5,682		16,232	1,015
Fire truck	5.25%	8/7/2006	59,533	9/1/2011	<u>33,702</u>	<u>0</u>	<u>12,054</u>		<u>21,648</u>	<u>1,482</u>
Total contractual indebtedness					3,253,338	95,160	216,297		3,132,201	110,926
Security deposits					59,761			433	60,194	
Compensated absences					<u>98,388</u>	<u>0</u>	<u>0</u>	<u>8,240</u>	<u>106,628</u>	
Total long-term debt					<u>\$ 3,411,487</u>	<u>\$ 95,160</u>	<u>\$ 216,297</u>	<u>\$ 8,673</u>	<u>\$ 3,299,023</u>	<u>\$ 110,926</u>

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

Current maturities on long term debt and interest for the next five years and in five year increments through maturity are as follows:

	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	Total
Principal									
General Obligation Bonds:									
Series 2001 Fire Station	20,000	20,000	20,000	20,000	25,000	25,000			130,000
KDOT loan:									
Washington St Proj TR 0075	27,073	28,154	29,277	30,445	31,660	178,287	216,809	120,685	662,390
KDHE loans:									
KDHE Water Pollution Rev Loan	46,692	48,326	50,018	51,769	53,580	172,259			422,644
KDHE Water Loan	87,743	91,047	94,474	98,031	101,722	569,020	684,506	152,744	1,879,287
Capital Leases:									
Fire/ladder truck	12,703	8,945							21,648
Fire equipment	5,987	6,309	3,936	0	0	0	0	0	16,232
Total Principal	200,198	202,781	197,705	200,245	211,962	944,566	901,315	273,429	3,132,201
Interest									
General Obligation Bonds:									
Series 2001 Fire Station	6,188	5,268	4,338	3,398	2,438	1,225			22,855
KDOT loan:									
Washington St Proj TR 0075	26,429	25,349	24,226	23,058	21,843	89,227	50,705	8,541	269,378
KDHE loans:									
KDHE Water Pollution Rev Loan	14,264	12,630	10,938	9,187	7,376	10,610			65,005
KDHE Water Loan	69,287	65,983	62,556	58,999	55,308	216,131	100,645	4,286	633,195
Capital Leases:									
Fire/ladder truck	833	179							1,012
Fire equipment	710	388	70	0	0	0	0	0	1,168
Total Interest	117,711	109,797	102,128	94,642	86,965	317,193	151,350	12,827	992,613
Total Principal and Interest	\$ 317,909	\$ 312,578	\$ 299,833	\$ 294,887	\$ 298,927	\$ 1,261,759	\$ 1,052,665	\$ 286,256	\$ 4,124,814

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 8 - FUND TRANSFERS

During 2009, the City transferred monies between funds as allowed by applicable Kansas statutes. The following schedule details transfers made in 2009.

Transferred from:	Transferred to:	Statute	Amount
General	Equipment Reserve	12-1,117	\$64,000
General	Capital Improvement	12-1,118	15,000
Water	Equipment Reserve	12-1,117	13,500
Sewer	Equipment Reserve	12-1,117	10,000
Water	Water Reserve	12-825d	5,000
Sewer	Sewer Reserve	12-825d	20,000
Water	Capital Improvement	12-1,118	5,000

NOTE 9 - COMPLIANCE FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and legal representatives of the municipality.

The Highway Maintenance fund carried a negative balance at December 31, 2009. This occurred when the state grant reimbursement for the South Neosho Street project was actually received in 2010. K.S.A. 12-16,111 allows these expenditures without regard to the adopted budget.

Management is not aware of any statutory violations for the period covered by this audit.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan description The City of Council Grove participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined pension benefit plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the employer contribution rates. The employer rates established for January, February and December of 2009 was 6.54% and March through November was 5.54%. The City of Council Grove employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$43,784, \$44,111, and \$38,224, respectively, equal to the required contributions for each year.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss including risks related to torts, theft of, damage to, and destruction of

City of Council Grove
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 11 - RISK MANAGEMENT (CONT)

assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason the City joined together with other cities in the state to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 140 participating members. The City pays an annual premium to KMIT for its worker's compensation insurance coverage. The City, along with other participating entities, contributes annual amounts as determined by KMIT management and underwriters. A member is only responsible for additional contributions to the KMIT trust which relate to claims arising out of occurrences in years in which the City is a member of the trust. As claims arise, they are submitted to and paid by KMIT. During 2009, the City contributed \$40,363 for this coverage. The City continues to carry commercial insurance for all other risks of loss including property and liability insurance. There were no significant reductions in insurance coverage from coverage in place in prior years.

NOTE 12 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan ("plan") created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until employment termination, retirement, death, or unforeseeable emergency. Plan assets are transferred to a plan agent in a custodial trust.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts shall be held in trust for the exclusive benefit of participants and their beneficiaries. All such amounts shall not be subject to the claims or the employer's general creditors.

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan until age 65. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

NOTE 14 – BOWERS COMMUNITY CENTER

The city entered into an agreement with the Kansas Department of Transportation to pass through federal funds for the Scenic Byways Program on July 18, 2007. The project is for the interior restoration and rehabilitation of the Council Grove "Bowers" Community Center. The city is to be reimbursed for 80% of the actual costs of the project not to exceed \$59,168. The city agrees to pay the remaining 20% and any amounts over \$59,168. The Bowers Community Center is reimbursing the city for the 20% share.

NOTE 15 – KDOT CULVERT REPLACEMENT

The city entered into agreements with the Kansas Department of Transportation for the replacement of culverts on East and West Main Street. The city's portion of cost is \$100,000. The East Main project was completed in 2009 and the West Main project is scheduled to be let in August 2010.

City of Council Grove
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 16 – GRANTS

The city received an Assistance to Firefighters Grant for firefighting equipment in 2008. The approved costs were \$76,760, with grant reimbursement of \$72,922 and city share of \$3,838. The money was expended 2009.

NOTE 17 – NEW HOUSE INCENTIVE PROGRAM

In 2007, the city implemented a new house incentive program to stimulate city growth. For the first twenty new houses built inside city limits with a valuation of \$100,000 to \$300,000, the city will refund the city's portion of property tax paid for up to five years upon proof of payment. In addition, the first five new houses in each calendar year with the previously mentioned valuation, will receive a one time \$5,000 incentive payment once framing begins. This \$5,000 incentive is limited to one per person/family or entity per year. These incentives are non-transferable and apply only to the first homeowner. Plans must be submitted to the city council, city administrator and building inspector for approval.

The city has also incorporated other various features such as the waiver of certain fees, free sewer service for one year, and free minimum water for one year. Several businesses in the city have also agreed to provide additional benefits for new homeowners.

The city reserves the right to reject any or all applications for the New House Incentive program if the council deems necessary for any reason. The city can also amend, add, or delete any or all of the qualification guidelines at any time. Additional requirements and applications are available at city hall.

NOTE 18 – UTILITY DEPOSITS

The city requires utility deposits for city water services. Deposits are kept indefinitely until service is disconnected. Interest is paid annually and is credited to the individual's account. Refunds of deposit and interest are from the water fund.

NOTE 19 – LEGAL

The city is currently in a boundary line dispute case with a Council Grove Lake lease holder. The court established a boundary line, but denied any monetary damages. Both the city and the plaintiff appealed that decision to the Kansas Court of Appeals which reversed the original ruling and remanded the case to trial court. The city's attorney for this matter believes that the chance of monetary loss is minimal.

NOTE 20 – SEWER IMPROVEMENTS

The city is currently working with the engineering firm of Schwab-Eaton, P.A. to bring the city's wastewater lagoon treatment facility back into compliance with its NPDES permit M-NE17-IO01. The city has submitted plans to KDHE and has approval to begin proceedings to achieve compliance. Tentative plans for this project are to advertise for construction bids March 1, 2010 with actual construction to begin June 1, 2010 and completion by December 1, 2010. To achieve compliance, engineers have formulated a plan of action which consists of sludge removal, restructuring the piping, riprap erosion protection, minor pretreatment screens, and miscellaneous valve work. Total cost of the project is estimated to be \$509,600. Funding will be accomplished through low interest loans with KDHE and the use of the city's sewer replacement/reserve funds.

City of Council Grove
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 21 – PUBLIC POOL

The city is currently exploring available options for the construction of a new city pool in 2012. A task force has been formed to evaluate and suggest options for further consideration.